

**INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF NEW ORLEANS, LOUISIANA, INC.**

---

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**



Carr, Riggs & Ingram, LLC  
3501 North Causeway Boulevard  
Suite 810  
Metairie, Louisiana 70002

(504) 837-9116  
(504) 837-0123 (fax)  
www.cricpa.com

## **Independent Auditor's Report**

**Board of Directors  
Industrial Development Board of the  
City of New Orleans, Louisiana, Inc.  
New Orleans, Louisiana**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Industrial Development Board of the City of New Orleans, Louisiana, Inc. (IDB) (a Louisiana nonprofit corporation) which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IDB as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matter – Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2013, on our consideration of IDB's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IDB's internal control over financial reporting and compliance.

*Car, Regg & Ingram, L.L.C.*

Metairie, Louisiana  
June 21, 2013

**Industrial Development Board of the  
City of New Orleans, Louisiana, Inc.  
Statement of Financial Position  
December 31, 2012**

	<u>2012</u>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash	\$ 332,599
Certificates of deposit	553,541
Accrued interest receivable	2,826
Employee advance	600
Prepaid expenses	<u>2,728</u>
Total current assets	<u>892,294</u>
Total assets	<u>\$ 892,294</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current liabilities:</b>	
Security deposit	\$ 5,000
Accounts payable and accrued expenses	<u>770</u>
Total current liabilities	<u>5,770</u>
<b>Commitments and contingencies</b>	
<b>Unrestricted net assets</b>	<u>886,524</u>
Total liabilities and net assets	<u>\$ 892,294</u>

See accompanying notes to the financial statements.

**Industrial Development Board of the  
City of New Orleans, Louisiana, Inc.  
Statement of Activities  
Year Ended December 31, 2012**

	<u>2012</u>
<b>Revenues:</b>	
Annual administrative fees	\$ 295,736
Six Flags income	31,667
Application fees	9,500
Interest income	5,818
Other income	<u>187</u>
Total revenues	<u>342,908</u>
 <b>Expenses:</b>	
Program services	107,695
Support services	<u>50,520</u>
Total expenses	<u>158,215</u>
<b>Increase in unrestricted net assets</b>	184,693
<b>Unrestricted net assets, beginning of year</b>	<u>701,831</u>
<b>Unrestricted net assets, end of year</b>	<u>\$ 886,524</u>

See accompanying notes to the financial statements.

**Industrial Development Board of the  
City of New Orleans, Louisiana, Inc.  
Statement of Cash Flows  
Year Ended December 31, 2012**

	<u>2012</u>
<b>Cash flows from operating activities:</b>	
Increase in unrestricted net assets	\$ 184,693
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:	
Rollover of interest on certificates of deposit	(3,541)
(Increase) in accrued interest receivable	(540)
(Increase) in employee advance	(300)
(Increase) in prepaid insurance	(566)
Increase in security deposit	5,000
Increase in accounts payable and accrued expenses	<u>770</u>
Net cash provided by operating activities	<u>185,516</u>
<b>Cash flows from investing activity -</b>	
Purchases of certificates of deposit	<u>(200,000)</u>
<b>Net (decrease) in cash</b>	(14,484)
<b>Cash at beginning of year</b>	<u>347,083</u>
<b>Cash at end of year</b>	<u>\$ 332,599</u>

See accompanying notes to the financial statements.

**Industrial Development Board of the  
City of New Orleans, Louisiana, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2012**

**A. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Industrial Development Board of the City of New Orleans, Louisiana, Inc. (IDB) is a Louisiana non-profit corporation organized pursuant to the provisions of Title 51, Chapter 7 of the Louisiana Revised Statutes. IDB was created by the New Orleans City Council in 1972 to promote the retention, expansion, and attraction of business and commercial enterprises in Orleans Parish and to expand employment opportunities. IDB has the ability to issue taxable and tax-exempt revenue bonds and other obligations to acquire land, construct, purchase, or renovate buildings to acquire and install machinery and equipment, and to finance any other economic development efforts. IDB can issue bonds without the necessity of calling a public bond election or having a public sale of bonds. The bonds (either taxable or tax exempt) are financed by the developer. Tax exempt bonds provide the incentive of a below market interest rate. IDB may also offer a PILOT (payment in lieu of taxes). A PILOT, if granted, may assist the developer with their financing of the project.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and cash equivalents**

Cash and cash equivalents have been defined by IDB as those amounts included in the statement of financial position caption "Cash." IDB considers all highly liquid debt instruments with original maturities at purchase of three months or less to be cash equivalents.

**Certificates of deposit**

Certificates of deposit are stated at cost which approximates fair value. Certificate terms typically range from six months to one year.

**Net assets**

Under accounting principles generally accepted in the United States, IDB reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All of IDB's assets are classified as unrestricted; there were no temporarily or permanently restricted net assets at December 31, 2012.

**Advertising**

Advertising costs are expensed as incurred. There was no advertising expense in 2012.

**Industrial Development Board of the  
City of New Orleans, Louisiana, Inc.  
Notes to Financial Statements  
(Continued)**

**A. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - continued**

**Functional allocation of expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefitted.

**Subsequent events**

In preparing these financial statements, IDB has evaluated events and transactions for potential recognition or disclosure through June 21, 2013, the date the financial statements were available to be issued.

**B. CONCENTRATION OF CREDIT RISK**

The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage under defined dollar limits. The FDIC is not obligated to pay uninsured deposits. IDB maintains demand and time deposit accounts at various banks. At December 31, 2012, IDB had approximately \$3,000 in excess of FDIC insured limits. IDB has not experienced any losses in such accounts.

**C. ECONOMIC ENVIRONMENT**

Income is dependent primarily upon IDB receiving a sufficient number of applications wherein the applicant/developer is seeking bond financing through IDB and, additionally in some instances, a PILOT. In the long-term, these applications and the subsequent successful bond issuance generate closing costs income and potentially annual administrative fees if a PILOT is involved. All such projects occur in Orleans Parish. A decline in local and general economic conditions could affect the generation of revenue.

**D. COMMITMENTS AND CONTINGENCIES**

IDB leases its office space from the City of New Orleans. Normally, the lease is renewed annually and runs from March to February each year. IDB also rents outside storage space under a month-to-month lease which was \$136 per month through June 2012, and \$146 per month beginning with July 2012. The total rent expense in 2012 associated with these two leases was \$5,427. In March 2013, the lease with the City was renewed for a ten-month period until December 2013 at \$3,143.

Prior to 2005, the Six Flags project (an amusement park) in New Orleans East received a PILOT. At the request of the City of New Orleans, IDB became the property owner of record of the Six Flags site. As a result of the sale of a servitude on the property, IDB received a payment of \$112,584 in 2008. Also in 2008, IDB deposited these funds in a separate interest bearing cash account. The Six Flags site has been abandoned since 2005. Beginning in 2011, IDB has utilized funds from the Six Flags cash account to cover primarily minimal grounds maintenance and containment of the site.

**Industrial Development Board of the  
City of New Orleans, Louisiana, Inc.  
Notes to Financial Statements  
(Continued)**

**D. COMMITMENTS AND CONTINGENCIES - continued**

The property, from time to time, has not been insured for liability purposes. There are no known liability claims. The intermittent lack of insurance on the property results in unknown potential liabilities for IDB. The property is currently being used and insured by a film company with IDB as a named insured. In addition, in 2012, IDB signed a concession agreement with a developer. This developer is currently performing due diligence procedures related to the potential redevelopment of the Six Flags property. The agreement requires the developer to insure the property with IDB as a named insured.

**E. SIX FLAGS AGREEMENTS**

Since 2012, IDB has signed a series of short-term lease agreements with the film company described in Note D. The agreements give the company the right to use the Six Flags property for movie filming. The agreements provide that IDB is to receive \$250 for each day of set up and \$1,500 for each day of filming. The agreement in effect at December 31, 2012, terminated in February 2013. A new agreement was signed in 2013 covering the period from February 2013 to July 2013 under the same payment terms.

The concession agreement with the developer described in Note D was signed in 2012 for a two-year period ending November 2014. The agreement provides for monthly payments of \$1,667.

**F. FUNCTIONAL EXPENSES**

Functional expenses for the year ended December 31, 2012 is summarized as follows:

	2012		
	Program Services	Support Services	Total
Payroll and related expenses	\$ 63,977	\$ 24,513	\$ 88,490
Professional fees	25,000	12,135	37,135
Six Flags expense	12,380	-	12,380
Rental expense	-	5,427	5,427
Office expense and supplies	1,165	2,800	3,965
Website expense	1,900	1,900	3,800
Insurance	1,452	1,452	2,904
Parking	1,088	1,089	2,177
Meetings and travel	551	551	1,102
Postage and delivery	182	297	479
Miscellaneous	-	356	356
	<u>\$ 107,695</u>	<u>\$ 50,520</u>	<u>\$ 158,215</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors  
Industrial Development Board of the  
City of New Orleans, Louisiana, Inc.  
New Orleans, Louisiana**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Industrial Development Board of the City of New Orleans, Louisiana, Inc. (IDB) (a Louisiana nonprofit corporation), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered IDB's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IDB's internal control. Accordingly, we do not express an opinion on the effectiveness of IDB's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying schedule of findings, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness (2012-1).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether IDB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **IDB's Response to Findings**

IDB's response to the finding identified in our audit is described in the accompanying schedule of findings. IDB's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of IDB's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IDB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of IDB's management and Board of Directors, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Cau, Regg & Ingram, L.L.C.*

Metairie, Louisiana  
June 21, 2013

**Industrial Development Board of the  
City of New Orleans, Louisiana, Inc. (IDB)  
Schedule of Findings  
Year Ended December 31, 2012**

**Section I - Summary of Auditor's Reports**

Financial statements

1. Type of auditor's report	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses identified	Yes
b. Significant deficiencies identified	None
c. Noncompliance material to the financial statements noted	None
3. Management letter	None

Federal awards

None

**Section II - Financial Statement Findings**

No financial statement findings were noted during the audit of financial statements for the year ended December 31, 2012 except for the following material weakness:

**2012-1 Internal Control**

Criteria – Effective internal control requires that an entity have someone with the technical expertise and knowledge who has the ability to prepare financial statements and all disclosures in accordance with generally accepted accounting principles as part of its control process.

Condition – Management lacks the qualifications and expertise necessary to prepare financial statements and all disclosures in accordance with generally accepted accounting principles.

Cause – IDB has not determined a need for a financial person possessing the required technical expertise.

Effect – IDB has a recognized deficiency in internal control.

Management's Response – Management does not consider the benefit of retaining an individual with the required expertise to outweigh the cost of implementation.

**Section III - Federal Award Findings and Questioned Costs**

Not applicable

**Industrial Development Board of the  
City of New Orleans, Louisiana, Inc. (IDB)  
Prior Year Schedule of Findings  
Year Ended December 31, 2011**

**Section I - Summary of Auditor's Reports**

Financial statements

4. Type of auditor's report	Unqualified
5. Internal control over financial reporting:	
a. Material weaknesses identified	Yes
b. Significant deficiencies identified	None
c. Noncompliance material to the financial statements noted	None
6. Management letter	None

Federal awards

None

**Section II - Financial Statement Findings**

**2011-1 Internal Control**

Material weakness relating to the preparation of the financial statements and related disclosures. Management lacked the qualifications and expertise necessary to prepare financial statements and all disclosures in accordance with generally accepted accounting principles.

Not resolved.

**Section III - Federal Award Findings and Questioned Costs**

Not applicable



Carr, Riggs & Ingram, LLC  
3501 North Causeway Boulevard  
Suite 810  
Metairie, Louisiana 70002

(504) 837-9116  
(504) 837-0123 (fax)  
[www.cricpa.com](http://www.cricpa.com)

**Board of Directors and Management  
Industrial Development Board of the City of New Orleans, Louisiana, Inc.  
New Orleans, Louisiana**

In planning and performing our audit of the financial statements of Industrial Development Board of the City of New Orleans, Louisiana, Inc. (IDB) as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered IDB's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IDB's internal control. Accordingly, we do not express an opinion on the effectiveness of IDB's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in internal control to be a material weakness.

We have assisted you in drafting the 2012 IDB financial statements. The nature of this situation is common in small entities. We recognize that you do not have the expertise to prepare financial statements in accordance with accounting principles generally accepted in the United States of America and that you have made a conscious decision to accept this internal control situation due to cost and other considerations. Nevertheless, the preparation of financial statements remains a management responsibility; therefore, under our professional standards, we are required to report this material weakness to you. Professional standards state that it is a strong indication of a material weakness in internal control if the entity has ineffective controls over the preparation of their financial statements such that entity controls are absent or controls are not effective in preventing or detecting material misstatements in the preparation of the financial statements, including the related footnotes. Although the auditor can assist in drafting the financial statements, the auditor is not responsible for establishing or maintaining internal controls over the preparation of the financial statements.

**Board of Directors**

**Industrial Development Board of the City of New Orleans, Louisiana, Inc.**

Page 2

**Use of Information**

This communication is intended solely for the use of the Board of Directors and management of IDB and is not intended to be and should not be used by anyone other than these specified parties.

*Can, Reggs & Ingram, L.L.C.*

Metairie, Louisiana

June 21, 2013